

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEW JERSEY

IN RE: . Case No. 22-19361-MBK  
. (Jointly Administered)  
BLOCKFI INC., et al., .  
. Debtors. .  
. April 19, 2023  
. 10:02 a.m.  
. . . . .

TRANSCRIPT OF MOTIONS HEARING  
BEFORE THE HONORABLE MICHAEL B. KAPLAN  
UNITED STATES BANKRUPTCY COURT JUDGE

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Proceedings recorded by electronic sound recording, transcript  
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1 THE COURT: Okay, good morning everyone. This is  
2 Judge Kaplan. Hope everyone is doing well. This is the  
3 Blockfi, Inc. matters. And I appreciate everybody's  
4 participation through Zoom, remotely.

5 For those who wish to be heard at any point in time,  
6 if I haven't called on you please use the raise hand function  
7 and either or my law clerks will make sure we spot you and give  
8 you the opportunity to speak.

9 I've received correspondence from, on behalf of the  
10 Committee regarding the exclusivity motion. I expect that  
11 we'll be talking about the process. I see both Mr. Sussberg  
12 and Mr. Stark have raised their hands, anxious to get involved.  
13 Let's have it so to speak. Good morning gentlemen. Let me  
14 start with Mr. Sussberg.

15 MR. SUSSBERG: Yes, thank you Your Honor, Joshua  
16 Sussberg from Kirkland & Ellis on behalf of the debtors. I  
17 think the agenda today is relatively straightforward, save for  
18 what I think is straightforward, our exclusivity extension.

19 This is our first exclusivity extension, all right.  
20 And it's a modest one at that Your Honor. As you've seen in  
21 our reply we ask for an extension of the filing deadline by 48  
22 days and the solicitation deadline by 73 days. So that would  
23 be extensions to May 15th and August 11th, respectively.

24 And we laid out in our reply, it's on page 4, the  
25 schedule that we're seeking to adhere to which includes the

1 filing of a plan no later than May 15th. And then working our  
2 way through all the statutory deadlines and the like to get to  
3 the deadline we propose in August which we admit is aggressive,  
4 but it's one that we want to move forward with.

5 And we have been doing a tremendous amount of work to  
6 be in a position to resolve many complex issues notwithstanding  
7 the commentary from the Committee.

8 And we laid this out for the Committee on April 10th.  
9 And we noted in our papers, there was an 88 page DEC. Mr.  
10 Renzi walked through it. We had a conversation about the  
11 schedule and we had a back and forth.

12 And you know, Your Honor I've been doing this 20  
13 years. I know there's people on this phone that have been  
14 doing it a lot longer, the way it works with exclusivity you  
15 have up to 18 and 20 months for filing a plan and for  
16 soliciting. The Debtor proposes six months or nine months.  
17 The Committee comes back, we reach agreement on the dates. We  
18 were within 11 days of each other. Mr. Stark wanted the end of  
19 July, we wanted the middle of August like we suggested.

20 And then we got the pleading seeking to terminate  
21 exclusivity on our first request. This is not something that  
22 I've ever seen.

23 And the reality is Your Honor that there's more to  
24 this than meets the eye. And, you know, notwithstanding all  
25 the back and forth in the objection that Mr. Stark filed, comes

1 down to one sentence in his pleading. It's paragraph 28 where  
2 he makes a comment about the Debtors can file a plan that seeks  
3 to confirm over the objection of creditors with releases in the  
4 plan and we want to file our own plan. And the reality is  
5 that's what this is all about. This is all about Mr. Stark  
6 preadjudicating before we even file a plan, what our plan is  
7 going to include and what it's going to say.

8           And what I would tell Your Honor we are continuing  
9 the investigation. Kirkland & Ellis is handling an  
10 investigation at the direction of our independent directors,  
11 Jennifer Hill and Scott Vogel. As you know the Committee is  
12 conducting an investigation. And as we sit here today that  
13 investigation is ongoing. There are more depositions. We have  
14 more document requests from the Committee. And we are going to  
15 make determinations and decisions when it is complete.

16           But there is no world in which we should be  
17 terminating exclusivity at the first request. I think we have  
18 demonstrated cause more than sufficiently in the 32 bullets  
19 that we laid out on pages 3 through 5 in our pleading.

20           And I know Your Honor mentioned Mr. Stark's letter  
21 from yesterday. I will admit that we did take the bait a bit  
22 from the Committee when they asked us what our evidentiary  
23 record would be when we submitted declarations from Mr. Renzi  
24 and Ms. Pullo. And obviously we'll take guidance from Your  
25 Honor.

1 I think those declarations are unnecessary. I think  
2 Your Honor can decide this on the papers. Again it's a first  
3 exclusivity extension. We were talking about 11 days. This is  
4 about Mr. Stark and the Committee trying to make a point that  
5 I'm not sure is ringing hollow. It is ringing hollow.

6 And I think we are going to work over the next couple  
7 of months to pursue and ultimately confirm a plan that's in the  
8 best interests of our stakeholders and we're not going to  
9 preadjudicate anything, especially because investigations and  
10 the like are not complete.

11 So we would submit Your Honor unless you want to  
12 handle it differently, I'm hopeful that we can move forward on  
13 the pleadings here today and get our exclusivity extension and  
14 really start building the consensus that we need which we  
15 through had started admittedly on April 10th.

16 I know it will continue. And I'm hopeful we can put  
17 some of this aside and really move this forward for the benefit  
18 of the customers of this estate.

19 THE COURT: All right, thank you Mr. Sussberg. Mr.  
20 Stark let me hear from you.

21 MR. STARK: Thank you Your Honor. Can Your Honor  
22 hear me okay?

23 THE COURT: Yes, I can.

24 MR. STARK: Thank you. I do have a presentation. I  
25 think it's a little longer than Mr. Sussberg, but I do

1 appreciate the things that he says as I think Mr. Sussberg said  
2 in open Court, we have a relationship that goes over many cases  
3 and I respect the man and I think he is an honest and good  
4 lawyer. So what I'm about to say is not a reflection of  
5 anything other than the fact that I accept him at his word and  
6 I always have and we will continue to work in good faith.

7 But we have an issue. And there has been pleadings  
8 that have been filed that admittedly may be from us and I think  
9 probably they'd admit as well, raises the rhetorical level  
10 considerably high. And so I think Your Honor it's worth  
11 spending a couple of minutes to talk about that.

12 The reply says hey, wait a second, we had, we've  
13 moved a lot from our original request. And there was a meeting  
14 and the schedule was presented. And it gets a little personal  
15 towards me, but I said maybe we can talk about this, I want to  
16 think about it. We didn't agree to anything is what they said.

17 And it really kind of presents this as the Committee  
18 picking a fight and I don't think that's fair. And I want to  
19 unpack that. And I will at the end of my presentation because  
20 I do believe this is a status conference and I do believe that  
21 we are, and I will make a proposal procedurally about how to  
22 advance. But we're not, as I understand it, going to be taking  
23 evidence today.

24 THE COURT: Right.

25 MR. STARK: And we of course would reserve that

1 right. So let me just unpack it a little bit and then  
2 hopefully move, seek to, okay, where do we go from here which I  
3 know that's always Your Honor's request of all counsel. So I'd  
4 like to make a proposal on that.

5           Before we filed the objection there was a meeting and  
6 there were conversations. And I did call Debtor's counsel, not  
7 Mr. Sussberg, I spoke with Mr. Kanowitz beforehand and I said,  
8 I don't want to file this objection. I want to talk. And we  
9 spent some time talking to our respective clients and the  
10 decision was no, go ahead and file your objection. Okay, so we  
11 filed the objection.

12           I assumed we would continue to talk thereafter. It  
13 went, you know, it zig-zagged to what I now read as a fairly  
14 heavily-handed rhetorical position. We have sort of two points  
15 that are going on underneath this. The first is the need for  
16 speed and I want to spend a minute or two because it's not only  
17 us talking, the three of us talking right now, it's also a lot  
18 of people listening to what we're talking about right now. So  
19 I'd like to say a few things on speed.

20           And then let's talk about that underlying substantive  
21 issue because it's enormous. And the pleading kind of masks  
22 the substance with very heavy headed rhetoric and I think we  
23 need to talk substance at this moment.

24           On the need for speed I want to embody who's reading  
25 the Debtor's motion and reply papers, there's sort of this



1 imperialistic kind of tone and it comes right off the shelf  
2 from every other Chapter 11 case; hey, we got exclusivity  
3 because that's de rigueur. We get it because we ask for it.  
4 Cases are big. We get it and move it forward. There's no  
5 real, there's iteratives, but it doesn't really say any  
6 substantively about progress. But I understand that's what we  
7 do in most cases but this is not most cases.

8           In this case we don't have banks, hedge funds,  
9 arbitrageurs, landlords, trade vendors, companies. In this case  
10 the creditors are people, individuals, moms and pops, many of  
11 whom have lost their life savings. And Your Honor I know has  
12 received a number of communications from some of these people.  
13 At the last hearing I got up and said please don't call  
14 chambers anymore, call me. So Your Honor can only imagine how  
15 many you're receiving because I'm receiving more.

16           But the stories are frightfully terrible and I take  
17 that very, very seriously as does the Committee. We will not  
18 allow these people to get processed in the usual course. We  
19 don't believe that's appropriate given the circumstances of  
20 this particular case.

21           I can't explain four months from now why we can't get  
22 something done. I've been saying for quite a while now we want  
23 a plan on file that we can agree to before there are leaves on  
24 the trees. And there are already leaves on the trees. And I  
25 can't explain the delay.

1 It is the Debtor's job in a case as personal as this  
2 one to say in open Court in a much better way than the pro  
3 forma ipse dixit that's been filed already, why it takes four  
4 more months, why the separation from money is so important.  
5 Not for me to do.

6 Second, this case is burning money. It's clear it's  
7 burning money. And yes, this little contested matter is  
8 burning money. But there's a rule Your Honor and I learned it  
9 when I was in college. It's called Parkinson's Law and maybe  
10 Your Honor knows this. Work will always expand to fill the  
11 time allotted. And in bankruptcy, Parkinson's Law is visited  
12 in the millions and the tens of millions, monthly, two months,  
13 because most of us are on an hourly time basis and these are  
14 not small law firms involved here.

15 But we don't normally have to talk about Parkinson's  
16 Law in bankruptcy cases because we have a DIP loan. And DIP  
17 loans have budgets, they have milestones, case controls and  
18 maturities.

19 And so debtors have to move quickly because the  
20 secured lenders demand it and those are the rules of engagement  
21 in every case.

22 But not so here. Because what the company did the  
23 minutes before bankruptcy is they sold all the crypto that was  
24 domestic. And they've been sitting on 250 plus million dollars  
25 in U.S. currency sitting in a bank account. And no one is

1 tethering the expenditures to that money. So that makes it my  
2 job and in turn Your Honor's oversight job to make sure that  
3 the hauling knife of cost is accounted for every single day,  
4 week and month of burn because that's what these moms and pops  
5 deserve, okay.

6 And I don't agree with the 38 iteratives about how  
7 hard this case is. That there's oh so much work to do. I do  
8 not agree that that is a accurate narrative of what's going on  
9 in this case. This is no business. There is no enterprise to  
10 rehabilitate. There is no business that will be organized.  
11 There is nothing viable or feasible here to come out. There's  
12 an MNA process for the platform. That is a bundle of sticks to  
13 be sold, okay. And that process is concluded.

14 Then we have the cash, some crypto currency assets.  
15 We have some loans and J.B. interests in mining companies. We  
16 have the FTX, -- by causes of action. Those are the things  
17 you shove into a liquidation trust and give the creditors  
18 control of their own fate because we have no secured debt. We  
19 just have unsecured creditors here. They can choose for  
20 themselves what and how they want to handle all those things  
21 and how they want to resolve claims and causes of action as  
22 they see fit.

23 If Your Honor, these issues have been presented after  
24 coordinating with the JPMs (phonetic). We have my  
25 investigation which is pretty much wrapping up. We have

1 intercompany issues. We have the Wallet issues. Those are all  
2 manufactured complexity. It's resolved and it's a slow walk.

3 And I'll tell Your Honor, I'll prove the point this  
4 way. If Your Honor were to lift exclusivity today, I could  
5 have a plan on file in 10 days, maybe even sooner. And I feel  
6 very, very confident that that plan would be widely accepted by  
7 all creditor classes and would settle out the remaining issues  
8 that are out there like Wallets and stuff like that and would  
9 be confirmable in June.

10 And that gets us to what's lying beneath the surface.  
11 What is this dispute about. Your Honor is probably not used to  
12 seeing the kind of pleadings now at least the reply and how  
13 personal it got. So quick it got so personal. Maybe I  
14 promoted it by my own rhetoric, I don't know.

15 But it went from slow to really fast really quick.  
16 So there's got to be something going on beneath the surface.  
17 And in fact it's not the calendar, except in this respect.  
18 It's not May 15th, right. If Your Honor were to set the  
19 deadline tomorrow for filing a plan, they'd have a plan on  
20 file. They already have a plan on file. They filed it in the  
21 first days of the case.

22 It's the solicitation deadline that's the hard one.  
23 Okay, you usually get two months, they want three. And they  
24 put in an affidavit about well in this case for some reason  
25 unlike any other case that any of us were involved in, they

1 need an extra month here.

2 But let's just talk about mid August for a second  
3 from a different vantage point, okay. I didn't fall off the  
4 turnip truck yesterday. I know what plan they're going to  
5 file, okay. And we've had lots of conversations among counsel.  
6 Again I talked to counsel before I filed my objection. We've  
7 had conversations since, okay.

8 There's misalignment on a very significant issue in  
9 this case and we'll talk about that in a second, okay. The  
10 plan that I believe they intend to file will be vigorously  
11 opposed by the Committee. We don't see how that plan confirms.  
12 It won't (indiscernible) class. We don't think it will be good  
13 faith. We don't think it will be fair and equitable. We've  
14 got a whole bunch of other things that we're thinking about  
15 here and we're setting up for a very ugly case. Which means  
16 that we don't get to pick up according to the schedule, until  
17 mid August assuming that we're successful in blowing up that  
18 plan. And then we don't get out until Halloween.

19 Meanwhile we've incurred tens of millions of dollars  
20 in additional incremental cost. And that's terrible, that's  
21 terrible.

22 So I reached out to opposing counsel and made several  
23 different proposals to try to obviate this matter right now,  
24 this dispute right now. But I made this proposal which I  
25 thought was fair and in the middle, okay. I said Your Honor's

1 bridge order on exclusivity didn't have a date certain. It  
2 says we will have, exclusivity will automatically bridge until  
3 Your Honor can schedule a hearing. And at that hearing will be  
4 a final order on the motion and you automatically bridge to  
5 that date.

6 I said let's all agree just to hold off that hearing  
7 for a little bit of time. Let's talk. Let's put some oxygen  
8 into our respective positions and talk it through and see if we  
9 can find common ground as opposed to going immediately to the  
10 fight.

11 I got a voice mail message back midday yesterday,  
12 nope, we're not talking. Let's get on with the fight. That's  
13 why we're having this dispute Your Honor. That's what's going  
14 on.

15 I want to talk. I want to share perspective. They  
16 want exclusivity in their positioning, not unlike another case  
17 that Your Honor may have been dealing with yesterday on  
18 injunctions and controls and rights. And we want the ability  
19 to talk as opposed to being held in the gulag and have to make,  
20 essentially be extorted by tying in cost runs to giving in on  
21 something we feel very strongly about. And that's a bad  
22 dynamic.

23 I wanted in this presentation Your Honor to not want  
24 to talk about the issue, the big issue in dispute. I wanted to  
25 measure my words because it may be Pollyann-ish. I thought if

1 we actually had, if Your Honor found my proposal acceptable,  
2 put the hearing out for the end of the month and let's see if  
3 we can't talk it through, is try to find some common ground  
4 before we went (indiscernible 10:21:00) with each other.

5 But I didn't want to put it out in the public now, we  
6 have a very active community and one that is watching  
7 everything we say and talk amongst themselves about. I didn't  
8 necessarily think feeding the fire was a good idea.

9 I'm happy to talk about it further because I think  
10 Mr. Sussberg kind of alluded to it. But I think I'm going to  
11 hold my tongue at this moment. Perhaps on rebuttal if Your  
12 Honor asks and Mr. Sussberg prompts me, we can talk about it  
13 further.

14 My proposal stands Your Honor. I think the right  
15 answer for this case before we go ahead and go hammer and tong,  
16 go into tens of millions of dollars of expense on mom and pop  
17 money over something that seems awfully parochial and not  
18 necessarily what the creditors want, we should talk. But if we  
19 can't make a resolution on talking, then I'd rather have the  
20 trial now on exclusivity and put it all on the table for  
21 everyone to see and the creditors to realize so that Your Honor  
22 can make a decision before we incur all that expense and take  
23 this case all the way out to Halloween. I think that's the  
24 proper staging of how we end the Blockfi case. And make it  
25 unlike Voyager (phonetic), and Celsius (phonetic) and Lord

1 knows FTX. Your Honor have any questions for me at this point?

2 THE COURT: No, thank you Mr. Stark. Let me go back  
3 to Mr. Sussberg and hear from his, any response.

4 MR. SUSSBERG: Yeah, I have a few Your Honor, thank  
5 you. Joshua Sussberg, Kirkland & Ellis. You know as I've told  
6 Mr. Stark before, none of this is personal. We're all trying  
7 to get to the right answer.

8 But the one thing he said that demonstrates that  
9 exclusivity and an extension is critical here is he said and he  
10 hasn't even seen a plan from the Debtors. He said there is no  
11 plan that the Debtors will propose that he will recommend his  
12 constituents agree to.

13 And that is the posture that he's taken. And the  
14 commentary that has come back as far as trying to bridge the  
15 gap here in a conversation is, give the Committee a consent and  
16 veto right over the filing of a plan, which is effectively the  
17 same as terminating exclusivity.

18 And I'm reminded of the Dow Corning case because it's  
19 cited in Mr. Stark's pleading. And the one thing that stuck  
20 out to me was the chaos factor that the Courts allude to in Dow  
21 Corning. This is our first exclusivity request extension. We  
22 are asking on April 19th, today, to have a deadline of May 15th  
23 to file a plan. We intend to share that plan with the  
24 Committee in the next week or so and then get it on file. And  
25 then we'll move forward with that plan.



1           And just like all Chapter 11 plans this is no  
2 different, notwithstanding the constituencies, there are  
3 differences in the case, I admit. But just like in Voyager  
4 where we built consensus, not only with individuals but with  
5 the Committee. And just like we're doing in Celsius, this is  
6 exactly the same.

7           This is about a leverage play by Mr. Stark to try to  
8 thwart the cases and increase and enhance an agenda that he  
9 has, that he doesn't even know what our document says. And  
10 it's all the more reason Your Honor that I believe on the  
11 pleadings and on this record and on the factors, because Your  
12 Honor has sat here for four months and I know you know the  
13 complications of this case. It is not a simple case. It is  
14 global. It involves international. It involves U.S. There  
15 are Wallet issues. Not to mention the fact that we're in the  
16 middle of a sale process and we may end up going with a sponsor  
17 deal. And there could end up being an auction, all of which  
18 needs to play out in the context of filing a Chapter 11 plan.  
19 We've worked on the stand alone but it could be that the sale  
20 process makes sense.

21           And then there's dealing with all the regulators and  
22 making sure that they're onboard with the plan. We have done  
23 this before in similar circumstances. We know what's involved.  
24 And it absolutely merits and warrants a modest, again a very  
25 modest exclusivity extension. We did not come in here and ask

1 for the sun and the moon and the stars. We asked to get a plan  
2 on file by the middle of May and then to proceed down a path as  
3 quickly as we can.

4 And if we can beat those dates and if solicitation  
5 goes faster, by all means we're going to pursue that. We are  
6 not looking to draw this out for the sake of drawing it out.  
7 That is unfair and I hope every single customer knows that I  
8 mean what I said on the first day of this case, it is our job  
9 to deliver people back their money and that's exactly what  
10 we're going to do. But we're going to do it in a thoughtful  
11 manner and not a chaotic manner consistent with Dow Corning.

12 And I would submit Your Honor again that you can  
13 decide this today on these pleadings. But we obviously will do  
14 whatever Your Honor recommends as far as moving this forward.

15 THE COURT: Mr. Stark.

16 MR. STARK: Your Honor I, I don't, this is where I do  
17 part company with Mr. Sussberg on a personal level. This is  
18 not a leverage play.

19 And by the way it's not Mr. Stark's decision, this is  
20 the Committee's decision. I have an active Committee, I have  
21 an active client. And I'd prefer if my opposing counsel  
22 actually referred to my client as opposed to making this all  
23 personal about me. Your Honor knows me. This isn't my first  
24 rodeo. I've been doing this for like 30 years. I have a  
25 little more experience than Mr. Sussberg on not only committee

1 work, so I don't really appreciate that.

2 What's happening Your Honor it's not a leverage play.  
3 Quite the opposite. My proposal is let's talk to one another.  
4 Let's not jam the litigation at this moment.

5 But I'm not an idiot. I sat in the room. I've seen  
6 the plan they've filed and I've talked to these people. I know  
7 what plan they're going to file. Mr. Sussberg even said he's  
8 conducting his own investigation and he's going and talking to  
9 independent directors that he installed in this company. And  
10 we've done the investigation ourselves and we have views about  
11 what the plan should look like in contravention to what we've  
12 been told, right.

13 It's not like I'm making this stuff. I said let's  
14 talk. Let's go into a room and see if we can't figure this  
15 out. But no, you don't get to have exclusivity because  
16 possession is nine tenths of the law. And you don't get to use  
17 the cost and the burden and the time delay on people who are  
18 desperate, to extort what you want without a rational  
19 conversation. That is wrongful.

20 And if that's the position the Debtor wants to take,  
21 then we reply upon the jurisprudence that says we want to have  
22 a trial. Say it in open court. Let's have at it.

23 And that's where we are Your Honor. But I don't  
24 appreciate that this is anything personal or anything like  
25 that. We just don't agree with their positioning and we want

1 to talk about it instead of litigating it.

2 It wasn't the decision of mine to move this hearing  
3 this way.

4 THE COURT: All right, before I start addressing the  
5 issues, is there anyone else who wishes to be heard on this?  
6 All right, I don't see anybody with a raised hand.

7 Probably yesterday toward the end of a nine hour plus  
8 hearing was not the right time to read a letter requesting  
9 another evidentiary hearing. It certainly, I'm not sure  
10 whether I would be receptive yesterday.

11 I've had the time to consider the issue over the  
12 evening and listening to the arguments. I don't view any of  
13 this as personal. This is zealous advocacy on each side with  
14 Mr. Stark trying to protect the Committee and the clients and  
15 the customers and Mr. Sussberg in his venue, in his way of also  
16 trying to protect the customers.

17 It's a difference as to what the best pathway. I  
18 will say that I believe the professionals in this case have  
19 acted as such, professionals. You've kept most of the issues  
20 out of my Court to date which has been tremendous because it  
21 does preserve. I'm not saying there aren't dollars being spent  
22 in this case, there are. Every case of this magnitude and  
23 complexity. And it has complexities involved, generates  
24 unfortunately litigation and time consuming discovery and  
25 investigations.

1 I am pleased that the Committee through Mr. Stark's  
2 efforts and his colleagues have pursued their investigation and  
3 done so without running to the Court on every issue and working  
4 with the Debtor's counsel and other counsel in trying to  
5 resolve issues so that, I refer to this case almost as my  
6 stealth crypto currency case. Because I don't see a lot of  
7 what I know is going on looking at all the records, looking at  
8 what's on the docket.

9 I know the communications, I know the discussions by  
10 and among the professionals. I know the investigation that's  
11 being taken.

12 And because of that and that effort to try by all the  
13 professionals to reduce the administrative burdens, I am leery  
14 of moving forward with an evidentiary hearing on a first time  
15 exclusivity request extension when the result if the Committee  
16 is successful will be completing plans which have their own  
17 inherent administrative costs and burdens.

18 The estate does not benefit from necessarily from  
19 competing plans. There may come a point where there has to be  
20 when negotiations simply are at an impasse. Or where the plans  
21 are just unacceptable.

22 But my concern is that we go down a path of spending  
23 what I view as wasted dollars and efforts fighting over weeks.  
24 I've seen in Celsius, I've seen in Voyager, you all have more  
25 experience in these cases, the complexities and the stop and

1 gos of the processes.

2 We see confirmed plans that are suddenly on hold  
3 because not all the ducks are in order, with stays in place.  
4 And then appeals to District Courts and Circuits.

5 We see a very active regulatory scheme in which just  
6 from reading the papers, we understand the SEC pursuing  
7 regulatory actions against exchanges and platforms which adds  
8 to the complexity in trying to find an exit strategy for this  
9 Debtor, Blockfi, that's appropriate.

10 I agree wholeheartedly with Mr. Stark that speed is  
11 important. The interest of these customers are important and  
12 this needs to move forward.

13 I guess where I differ respectfully Mr. Stark is the  
14 idea that we just have the trial now. Because I don't -- on  
15 exclusivity. Because I don't think we limit the trial there.  
16 That's just the first trial. And then we have a trial with  
17 competing plans and competing disclosure statements.

18 And let alone two different proponents of plans  
19 trying to come to terms with regulatory issues, international  
20 issues, liquidation issues.

21 I have read the two declarations that were filed, Ms.  
22 Pullo which speaks from Kroll as to a timing and Mr. Renzi's  
23 declaration which frankly and it's no disrespect to Mr. Renzi.  
24 He outlines everything that's going on. I can look at the  
25 docket and get 80 percent of the content of the declaration

1 just by looking at the docket because it shows the activity of  
2 the Debtor and of, and the Committee in this case. It's not,  
3 these declarations aren't dispositive.

4 I want to turn to Mr. Stark and ask is there and my  
5 preference in all candor is to decide this one papers rather  
6 than evidentiary hearings which necessarily involve discovery,  
7 argument, Court time. Are there declarations or additional  
8 affidavits you think would be dispositive that you would like  
9 to submit for my consideration in response to the declarations?  
10 I don't want necessarily to leave the declarations as the last  
11 word, although I think you can address it in argument. But  
12 what would be your preference?

13 MR. STARK: Well Your Honor I apologize if I ask, if  
14 I can't directly answer the question or I can. But I think I  
15 want to get to the place where I think Your Honor is more  
16 inclined to go.

17 Look, I have now made my argument. I believe that  
18 the Debtors if they want to go down a path that we perceive  
19 will be war, I think that before we incur the expense and the  
20 time delay we, they should come and answer to the community for  
21 it.

22 But I understand Your Honor's views on that. I  
23 respect it. And I suppose we have a legal right to press the  
24 evidentiary point, but I understand Your Honor's ruling and I  
25 respect it. And so therefore if 80 percent of what Your Honor

1 feels confident in rendering the ruling on is from the docket  
2 itself and is not going to be reliant on the declarations in  
3 any way, shape and form, then it would not be a good advocate's  
4 role I think to get in the way of where the Judge is inclined  
5 to go and let's just move forward.

6 But as long as the record is clear when and if we  
7 find ourselves back at, in the future back to a moment that  
8 I've presaged at this moment and we may. You won't hit me too  
9 hard Your Honor if I said I told you so.

10 THE COURT: I was just going to say you reserve the  
11 right to have an I told you so moment. I get it in other cases  
12 occasionally.

13 MR. STARK: But with respect. With respect.

14 THE COURT: Always with respect. But and I  
15 appreciate it. Is there other argument that either side wishes  
16 to make? We'll start with you Mr. Sussberg. Anything you wish  
17 to add to what you've already laid out before the Court or in  
18 the papers?

19 MR. SUSSBERG: No, Your Honor. We appreciate the  
20 Court taking the time today. And I just do want to mention  
21 that, you know, Mr. Stark is preassuming an outcome. It's our  
22 job to work together to try to avoid that. We will get them  
23 drafts of documentation. And Mr. Stark and I have already  
24 talked about sitting down and seeing how we can reach middle  
25 ground. We've done it many, many times before. I'm hopeful



1 that we will do it yet again, so thank you.

2 THE COURT: All right, thank you Mr. Sussberg. Mr.  
3 Stark.

4 MR. STARK: I'm looking forward to that phone call.  
5 And we'll have a meal and hopefully we can find some common  
6 ground. But I respect Your Honor's decision today.

7 THE COURT: And thank you. And Mr. Stark I  
8 definitely want to express my appreciation for the  
9 professionalism. Yes, when we have lawyers who are very  
10 knowledgeable about both substance and procedure and know their  
11 way around a courtroom, but that's one thing. But to recognize  
12 expediency for the benefit of their clients is more of a rarity  
13 and I appreciate those efforts.

14 MR. STARK: Thank you Your Honor.

15 THE COURT: I've made my judgment and my ruling which  
16 will be to grant the extensions primarily because of the  
17 limited nature of the extension. With a proviso that it would  
18 have to be extraordinary, there would have to be an  
19 extraordinary event to deviate from it going forward if  
20 something were to go array.

21 I don't foreclose that, but certainly I take Mr.  
22 Sussberg and the Debtor's position at face value, that this can  
23 proceed along the time frame that's been laid out in the  
24 documents.

25 I anticipate that there's going to be pushback from

1 the Committee and maybe other parties in interest. There's an  
2 ad hoc committee, there's other creditors involved. That's  
3 part and parcel of the process.

4 In gauging whether or not to extend exclusivity, the  
5 Court recognizes that there are built into the Code by Congress  
6 leverage points. The Debtor's exclusivity is a tool. The  
7 requirements for voting and confirming a plan are a creditor's  
8 tools.

9 Congress built in a pathway for extensions. They've  
10 limited since going back to 2005. We're not going to approach  
11 the caps on the extensions. We're talking about a plan being  
12 filed somewhere in early May and a process that will take us  
13 into the summer.

14 The good news is I have relatively few travel plans  
15 in July and August so I won't be holding you all up and I will  
16 make the Court available.

17 It is important that the parties start the  
18 negotiation process yesterday. And we'll get into that when we  
19 discuss the status of the Wallets and other matters.

20 I'm extending exclusivity because I do agree that the  
21 case, even though Mr. Stark may question the level of  
22 complexity, the usual nature of the crypto cases is evident  
23 just from what we see going on in FTX and Celsius and Voyager.  
24 What we see going on with issues as to property of the estate,  
25 ownership, how to handle the regulatory issues, the

1 international aspects, those complexities.

2 A liquidation is not necessarily complex. But the  
3 best way to do so to maximize returns can be. And I want this  
4 process to go forward with all eyes wide open, especially in  
5 light of the pending sale process that all the parties were  
6 able to identify the best pathway forward to maximize the  
7 returns to the creditors.

8 Because the requested extension is minimal compared  
9 to what may be the norm in Chapter 11, I'm going to approve it  
10 but hold the Debtor to, fire to their feet as the phrase goes.  
11 I don't need to do so as much as I know Mr. Stark and other ad  
12 hocs and everyone else will as well.

13 The Court is open to assist if in any way, at any  
14 point a neutral assist in trying to reach an accord if there is  
15 a gap. Again we're assuming a lot. Maybe good communication  
16 by strong professionals we won't have such a huge gap.

17 So I will enter the order based on the pleadings  
18 submitted. Based primarily what the Court can take judicial  
19 notice of with respect to the docket and we'll move forward.  
20 And I appreciate the advocacy involved and the professionalism.

21 Do we want to turn to Mr. Sussberg.

22 MR. SUSSBERG: Thank you Your Honor.

23 THE COURT: Or how do we move on to other agenda  
24 items?

25 MR. SUSSBERG: Yeah, I think we should proceed with

1 the agenda. We can move to agenda item two. And then we have  
2 some status conference items to be heard, so I'm going to leave  
3 it to the rest of the team to pick that up.

4 THE COURT: All right. Who will be taking the  
5 mantle?

6 MS. CHAVEZ: Good morning Your Honor Jordan Chavez on  
7 behalf of the Debtors. I'll be addressing the second item on  
8 the agenda which is the Debtor's motion for an order  
9 authorizing the Debtors to direct Scratch to return the post  
10 pause payments made by retail clients which we filed at Docket  
11 Number 559.

12 As set forth in the motion Your Honor, the U.S. based  
13 retail client loans are serviced by Scratch Services, LLC  
14 pursuant to a sub-servicing agreement that was executed between  
15 the parties back in 2018.

16 When a U.S. retail client would make a loan payment,  
17 Scratch would service the loan payment and coordinate with  
18 Blockfi to allow Blockfi to then apply the payment to the  
19 balance on the loan.

20 Now when the platform paused on November 10th  
21 subsequently all the activities related to the platform were  
22 paused including the retail loans and any payments made thereto  
23 and they were placed into administrative forbearance. So there  
24 were no margin calls or liquidations that have taken place  
25 since the platform pause.

1           Nevertheless it was impossible for Blockfi or Scratch  
2 to prevent parties from sending payments to Scratch, to try and  
3 make payment on their retail loans. The payments have largely  
4 slowed down since more parties have become aware of the  
5 administrative forbearance and these Chapter 11 cases. However  
6 at the moment Scratch is holding over half a million dollars in  
7 post pause payments which necessitated this motion before Your  
8 Honor today.

9           And at the time of the motion the specific amount  
10 Scratch was holding was \$585,100.03. And again those payments  
11 have largely slowed down since the case progressed. But  
12 Scratch is now, has received some additional payments and is  
13 now holding \$596,670.77.

14           So we filed a revised proposed order on the docket  
15 yesterday at Docket Number 746 to reflect the new amount. And  
16 both the original and the revised proposed order provide that  
17 if Scratch were to receive additional payments after the order  
18 was to be entered if Your Honor grants the motion, then Scratch  
19 would notify the Debtors of those payments and the Debtors can  
20 then direct Scratch to also return any subsequent payments that  
21 were made to Scratch.

22           There were no objections that were filed Your Honor  
23 to the motion. I did want to clarify for the record that there  
24 were some crypto currency news outlets that had reported that  
25 the payments were going to be returned to residents in one

1 particular state. However Your Honor the motion and the relief  
2 requested in it and the proposed order encompasses all payments  
3 made by U.S. retail loan clients after the pause nationwide.  
4 So the half a million dollar amount will be returned to all  
5 residents regardless of which state they are located in.

6 Unless Your Honor has any questions I would ask that  
7 Your Honor grant the motion.

8 THE COURT: Okay, thank you Ms. Chavez. I've read  
9 the proposed order. And needless to say there's been no  
10 objection to the relief nor should there be. It is surprising  
11 that a lender has to work so hard to not take payments. You  
12 don't normally see this.

13 But I will enter the orders to allow the money to go  
14 back as well as payments that are collected in the future. I  
15 think it makes absolute sense. Thank you.

16 MS. CHAVEZ: Thank you Your Honor. I'll also be  
17 addressing the next item on the agenda which is item number  
18 three, the Debtor's first omnibus objection to claims which we  
19 filed --

20 THE COURT: Let me just, I'm sorry. As far as the  
21 proposed order that came with the notice of filing, it's Docket  
22 746. Is that the order that can be entered or are we going to  
23 be getting a new one?

24 MS. CHAVEZ: Yes, that order can be entered. But  
25 we're happy to submit a copy to chambers if Your Honor prefers.

1 THE COURT: I think it's always cleaner. Just send  
2 it directly to chambers.

3 MS. CHAVEZ: Sure, we'll do that following the  
4 hearing. Thank you Your Honor.

5 THE COURT: Thank you. Now as to the objections.

6 MS. CHAVEZ: Yes, Your Honor we filed the objection  
7 at Docket Number 573 which was accompanied by a certification  
8 of CRO Mark Renzi that we attached as Exhibit A. And I would  
9 ask that Your Honor admit the exhibit into evidence.

10 THE COURT: So admitted.

11 MS. CHAVEZ: Thank you. For the record as Your Honor  
12 is properly aware, this hearing was adjourned from April 11th  
13 to April 19th. So I did want to state on the record that we  
14 did the serve the claimant with a notice of the adjournment at  
15 Docket Number 684.

16 The claim numbers that were filed that were included  
17 in the objection are claim number 1363 which was filed for,  
18 assets \$100 million secured claim against all of the Debtors.  
19 And then claim number 1649 and 3217 assert a secured \$2.2  
20 trillion claim against Blockfi, Inc.

21 So the basis for the objection is that the Debtors  
22 have no record at all of this account holder with the name and  
23 address that were provided in the claims. And no documentation  
24 supported a valid claim against the Debtors, let alone a  
25 secured claim for such an exorbitant amount.

1           The Debtors did reach out to the claimant multiple  
2 times as we set forth in the objection to try and get more  
3 information and more documentation to try and support the  
4 claim. On one particular date, March 2nd, we did receive some  
5 documentation from the claimant. But it was largely non-  
6 responsive and duplicative of what was already attached to the  
7 claims. We did explain the claim objection process as the  
8 claimant is pro se' and, including that they could file a  
9 formal response by the deadline and attend the hearing if they  
10 desired to defend their objection.

11           No timely response was filed to the objection by the  
12 deadline and the claimant has not amended or withdrawn the  
13 claim. With all of that Your Honor I would respectfully  
14 request that the Court sustain the objection and enter the  
15 proposed order that was attached to the objection and disallow  
16 the claims in their entirety.

17           THE COURT: Is there anyone who wishes to be heard on  
18 this? All right, Mr. Aulet.

19           MR. AULET: Yes, good morning Your Honor. The  
20 Committee fully supports this objection as you might expect.  
21 We just wanted to note that, you know, claims like this are  
22 extremely serious. It's a \$2.2 trillion claim which had the  
23 Debtors not timely addressed it would have prevented any sort  
24 of distributions due to the massive reserves that would be  
25 required.



1 And so we just urge the Court to enter the order.  
2 And we'd urge claimants not to submit such claims in the  
3 future.

4 THE COURT: Actually you beat me to the punch, thank  
5 you Mr. Aulet. I was going to give an admonition. Not only  
6 does this cost the estate and all proper claimants time and  
7 money in having to address. I think claimants are well advised  
8 to look at the references to Title 18 and bankruptcy fraud when  
9 filing claims and realize there can be a consequence in  
10 reaching for this pathway. Thank you. The motion is granted.

11 MS. CHAVEZ: Thank you Your Honor. That's all for me  
12 today so I will turn it over to my co-counsel and the U.S.  
13 Trustee to address the status conference. Thank you.

14 THE COURT: All right, thank you.

15 MS. OKIKE: Good morning Your Honor, Christine Okike  
16 of Kirkland & Ellis on behalf of the Debtors. I think it makes  
17 sense for me to provide just a brief update on the Debtors'  
18 cash position which kind of relates to the U.S. Trustee's  
19 motion to compel the Debtors to comply with Section 345 if  
20 that's all right with Your Honor.

21 THE COURT: Yes, please.

22 MS. OKIKE: So Your Honor while the Debtors have  
23 opened up several new bank accounts at authorized depositories,  
24 those banks continue to struggle to obtain surety bonds. My  
25 understanding from conversations with the banks is that the

1 surety bond market has essentially dried up in the wake of the  
2 collapse of Silicon Valley Bank and Signature Bank. And I know  
3 that other debtors are struggling also to obtain surety bonds.

4 So Your Honor may recall that we had a substantial  
5 amount of cash invested in money market funds at Silicone  
6 Valley Bank where the counter parties were Black Rock and  
7 Morgan Stanley. And those money market funds were invested in  
8 government securities.

9 Following discussions with the U.S. Trustee we  
10 converted those money market funds into cash and that cash was  
11 sitting at Silicone Valley Bridge Bank. At the time that we  
12 made the conversion all funds in the Bridge Bank were fully  
13 insured when the government took over.

14 But now the deposits have been transferred from the  
15 Bridge Bank to First Citizens. FDIC protection has dropped  
16 back down to 250K.

17 So given just the inability right now to obtain  
18 surety bonds and also the desire to be responsive to the U.S.  
19 Trustee's request, the Debtors intend to file a motion in the  
20 near term seeking authority to invest in treasuries that are  
21 backed by the U.S. Or alternatively to invest in money market  
22 funds that are invested in government securities.

23 The Debtors continue to believe that money market  
24 funds are safe investments because the exposure is to the funds  
25 themselves and not the bank which I think is probably a good

1 thing just given the uncertainty in the banking industry right  
2 now.

3           So with that I'll turn it over to the U.S. Trustee.  
4 I know we've been having several conversations to try to find a  
5 way to move forward. But unfortunately just given the banking  
6 situation we have not been able to obtain surety bonds and we  
7 obviously have cash above FDIC limits.

8           THE COURT: All right, thank you. It is an issue and  
9 a difficulty. Mr. Sponder did you want to speak?

10           MR. SPONDER: Thank you Your Honor, Jeff Sponder from  
11 the Office of the United States Trustee. I appreciate the  
12 position, the United States Trustee I should say appreciates  
13 the position that the Debtors find themselves in. However they  
14 still are not complying with 345. And I think it's even worse  
15 now be it that SVB, Bridge Bank has gone to First Citizens and  
16 has limited back down to the 250,000.

17           With that said I understand that a motion would be  
18 forthcoming in the near term. What my suggestion would be is  
19 that the near term be today, tomorrow, this week, not something  
20 that gets, that's waited on. As well as seeking shortening  
21 time to get this on the docket and a ruling from Your Honor.  
22 Because I don't think we have the ability to move off of our  
23 position that 345 needs to be complied with. Thank you Your  
24 Honor.

25           THE COURT: Thank you. I certainly will schedule it

1 on shortened time when the Debtor gets the motion to us.

2 MS. OKIKE: Yes, Your Honor, we will endeavor to get  
3 it on file. It may not be today, but definitely this week.

4 THE COURT: All right, thank you. We have two other  
5 matters. I guess probably the quicker -- well I'll leave it to  
6 you. We have an update on the adversary proceeding with  
7 respect to emergent and also the pending Wallet motion which is  
8 of most interest I think to those who are watching.

9 MR. SLADE: Your Honor, good morning, Mike Slade for  
10 the Debtors. Can you hear me?

11 THE COURT: Yes, I can, thank you.

12 MR. SLADE: Your Honor I'll give you an update on the  
13 wallet motion. We have been working with the counsel for the  
14 ad hoc committee and for deferred 1031 and the UCC. And we do  
15 have a path forward.

16 The Debtors have provided a substantial amount of  
17 diligence on this matter including answering about 100  
18 questions in writing and providing some data that was  
19 requested.

20 I am hopeful that we will be in a position to present  
21 this to Your Honor in the form of a set of stipulated facts  
22 that you will be able to hopefully rule on. The parties are  
23 going to work on that over the next approximately a week.

24 If we are not able to stipulate to certain facts, we  
25 have agreed that we will make a witness available for the ad

1 hoc committee to ask questions of so that they can, you know,  
2 put forth whatever evidence they have on the matters that can't  
3 be stipulated to.

4 The parties have agreed that they will file any  
5 supplemental briefs and that's the Debtors, the Creditors  
6 Committee and the ad hoc committee or deferred 1031 on or  
7 before May the 3rd. And then we will present the matter for  
8 Your Honor on May 8th at the next omnibus hearing.

9 Again the hope is that we're going to be able to  
10 stipulate to the relevant facts or at least minimize to the  
11 extent possible any actual evidence that has to be presented to  
12 the Court. And that's the plan. And we have discussed this  
13 and I believe all parties are in agreement that that's the path  
14 forward.

15 We know that all of the creditors want to get this  
16 resolved as quickly as possible and so do we. And this is the  
17 most streamlined way that we can present the issue to the  
18 Court. So happy to answer any questions that you have. But  
19 that is the plan.

20 THE COURT: I do have a question but first let me  
21 first turn to Ms. Kovsky.

22 MS. KOVSKY: Thank you Your Honor. Can you hear me  
23 okay?

24 THE COURT: Yes, I can.

25 MS. KOVSKY: So the schedule that Mr. Slade described

1 is what we have discussed and what we've agreed to. I think  
2 it's important though given the widespread interest in this  
3 issue and the number of, as Mr. Stark put it, the mom and pop  
4 investors that this affects, there's been a lot of  
5 misinformation online, a lot of questions about what's going  
6 on. Why is this taking so long. What's everybody doing. Why  
7 have there been so many delays. We should have had this  
8 resolved already.

9           And I wanted to emphasize that the ad hoc committee  
10 is committed to trying to get this resolved as quickly as  
11 possible. There have been a lot of activities taking place  
12 behind the scenes. We have managed to keep this largely out of  
13 Your Honor's Court and that was very deliberate, trying to  
14 resolve any issues we had ourselves. We did not want to bring  
15 you discovery disputes. We did not want to spend money of the  
16 estate that we didn't need to.

17           The ad hoc committee and I'll speak for deferred 1031  
18 as I'm sure Mr. Besikoff (phonetic) won't mind, we jointly  
19 agreed to forgo formal discovery in this matter even though  
20 it's a contested matter, where we would have been entitled to  
21 take full blow formal discovery.

22           Instead we simply asked a series of questions in  
23 plain English and agreed to accept answers on an informal  
24 basis.

25           It has unfortunately been an extremely slow process.

1 For example it took three written requests and almost two  
2 months to get an answer to the simple question of, tell us what  
3 assets are in Wallet. What's actually there.

4 So while we have finally obtained the information  
5 that, most of the information that we've been seeking from the  
6 Debtors, I want to make it clear, we're not trying to slow walk  
7 this in any way. The ad hoc committee has always been willing  
8 to move expeditiously. But we're entitled to get the  
9 information that we need in order to support our objection to  
10 what the Debtors are seeking to do to their customers.

11 And so that's really the reason for the repeated  
12 adjournments and extensions and why this matter hasn't been  
13 heard yet. It's really simply, we needed to obtain the  
14 necessary information to understand how the Debtors' processes  
15 work behind the scenes. What exactly was happening. What  
16 assets are where.

17 And so I wanted to just make it clear to the Wallet  
18 account holders who are not members of the ad hoc committee who  
19 perhaps have not been able to hear on a, you know, on a  
20 periodic basis and get updates about what's been going on, just  
21 to let them know we have been working expeditiously to try to  
22 get this resolved.

23 THE COURT: Thank you, that was the direction of my  
24 questions. And I'm aware of some of the complexities inherent  
25 in the potential differences from pause dates to potential

1 preferential transfers.

2 But let me ask what may be a naive question. Are  
3 there funds held currently now in Wallets that are not subject  
4 to dispute that can be released to Wallet holders that are not  
5 subject to any set off claims or defenses or any issues as to  
6 pause dates et cetera? And --

7 MR. SLADE: Your Honor again, Mike Slade.

8 THE COURT: And I apologize if it's not a simple  
9 question to answer.

10 MR. SLADE: Yeah, Mike Slade for the Debtors Your  
11 Honor. I think that depends on the outcome of this motion. If  
12 the Court agrees with the position of the Debtors and the  
13 Creditors Committee that the attempts after the program pause  
14 to move assets from the B accounts to the Wallet, if you agree  
15 with us that those are not effective, then the answer to your  
16 question is yes, we believe that there will be some funds that,  
17 you know, in cooperation with the Creditors Committee we are  
18 going to be in a position to be able to release.

19 If, that's a substantially more complicated question  
20 if my colleague on the other side, Ms. Kovsky succeeds in her  
21 motion. Then to be honest I'm not quite sure what we're going  
22 to do. But I believe the answer is that there won't be the  
23 ability to release any funds until certainly a plan is  
24 confirmed. That's at least my belief sitting here today.

25 THE COURT: Well, thank you. I think customers,



1 Wallet holders are entitled to at least, to understand and  
2 appreciate the realities. Ms. Kovsky is your hand still up or  
3 is that from before?

4 MS. KOVSKY: It is Your Honor. I just wanted to  
5 clarify a couple of points. Mr. Slade referred to the ad hoc  
6 committee's motion. The ad hoc committee doesn't have a motion  
7 on file. The Debtors filed a motion and bear the burden of  
8 proving their entitlement to reverse transfers that actually  
9 took place. And that's what they're seeking to do and the ad  
10 hoc committee has objected to that.

11 I also wanted to clarify that the sole issue that  
12 we're seeking to have the Court determine on May 8th is simply  
13 were those transfers that were made, while the system was still  
14 operational, were those transfers effective or not. And it  
15 sort of goes to the definition, what does transfer mean in this  
16 context. What constitutes a transfer. We're not talking,  
17 we're not asking the Court to determine well if the transfers  
18 were effective, where did they get paid out of. What assets  
19 are available to satisfy them. Are they subject to potential  
20 preferential. That's all for another day.

21 This is really the gating issue of, did transfers  
22 happen.

23 THE COURT: Understood, thank you Ms. Kovsky. Mr.  
24 Aulet.

25 MR. AULET: Thank you Your Honor, Kenneth Aulet from

1 Brown Rudnick for the record. Just to clarify one key issue.  
2 It's the Committee's understanding that the Debtors can,  
3 essentially cannot release portions of a Wallet account which  
4 is why if the position of the ad hoc group is correct, there  
5 are no funds that could be released. Obviously there would be  
6 funds that nobody disputes even if, you know, all of those  
7 funds are moved into Wallet and there's a large shortfall. The  
8 issue is is that to our understanding the Debtors outside the  
9 plan construct have the ability to potentially make 100 percent  
10 distributions but not for example, you know, to pick a number,  
11 50 percent distributions over anything aside from zero or 100  
12 percent.

13           So there's a substantial amount of funds where there  
14 is no dispute. But that technical issue prevents those funds  
15 from being sent out. Because, you know, the dispute, the funds  
16 that are not in dispute represent less than 100 percent of an  
17 account.

18           THE COURT: All right, thank you for that addition.  
19 All right, that certainly helps. It points to how important  
20 May 8th will be and what I can expect to have in front of me.

21           And of course I will do my best to try to do the  
22 quickest turn around that the Court can achieve.

23           Let's turn I think to the emergent matter. Is there  
24 an update Mr. Kanowitz?

25           MR. KANOWITZ: Yes, Your Honor, thank you. Richard

1 Kanowitz, Haynes and Boone, counsel, co-counsel to the Debtors  
2 and Debtors in Possession.

3 Your Honor, real quick, at Docket 738 we submitted to  
4 Your Honor for approval subject to the April 21st deadline for  
5 objections, the stand still stipulation I'll call it between  
6 emergent Debtor as well as the FTX Debtors and the Blockfi  
7 Debtors.

8 Basically this was to carve out any and all disputes  
9 concerning the liens, claims and encumbrances concerning the  
10 Robinhood shares and only the Robinhood shares.

11 And we spent a lot of time between counsel for the  
12 various estates coming to that stipulation and making sure that  
13 we captured the right type of procedure as well as substantives  
14 to put on hold pending the criminal prosecution of Sam Fried  
15 as well as any forfeiture proceedings that arise from that  
16 criminal prosecution.

17 So that was put before Judge Dorsey. And he approved  
18 it. He did it under certification of counsel. And that was  
19 entered on April 17th. So Your Honor has before the Court  
20 subject again to the objection deadline passing on April 21st  
21 and I don't anticipate anybody objecting since we've kept all  
22 the parties in interest involved in the stipulation step by  
23 step, comment by comment, issue by issue, that Your Honor will  
24 hopefully approve it. And that will again put on hold the  
25 Robinhood issue.

1 As to defendant Marex we are likewise working with  
2 them as to stand still stipulation because we do have a live  
3 adversary proceeding against them. And we would like that  
4 adversary proceeding to remain on the docket. We do not know  
5 what's going to happen in connection with the, again,  
6 prosecution and forfeiture proceedings.

7 We were first in time from our perspective and  
8 everybody reserves rights as to what should happen if the  
9 forfeiture proceedings don't go forward or if there's no  
10 conviction.

11 So that's where we are with the emergent matter Your  
12 Honor. Happy to answer any questions if you have them.

13 THE COURT: Can you give me the docket number again  
14 for the stipulation? I want to make sure my staff --

15 MR. KANOWITZ: Yes, we did it by application. It's  
16 738 Your Honor.

17 THE COURT: 738, great. I did speak with Judge  
18 Dorsey coincidentally and I understood it was coming. So we'll  
19 keep an eye out for it and wait for the passage of time. All  
20 right, thank you Mr. Kanowitz.

21 MR. KANOWITZ: Thank you Your Honor.

22 THE COURT: Is there anyone else who wishes to be  
23 heard? All right, I'm not seeing anyone. I thank everyone for  
24 their time and effort. And I guess the next date is the May  
25 8th date unless there's something emergent in between. So be

1 well, thank you.

2 (Recording ended @ 11:07:37)

3 C E R T I F I C A T I O N

4 I, TRACY GRIBBEN, court approved transcriber, certify that  
5 the foregoing is a correct transcript from the official digital  
6 audio recording of the proceedings in the above-entitled  
7 matter.

8

9 /s/ Tracy Gribben

10 J&J COURT TRANSCRIBERS INC. DATE: April 20, 2023

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